

**DEPARTMENT OF TRANSPORTATION****AUDITS AND INVESTIGATIONS**

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September 9, 2008

Mr. Phillip M. Demery, Director of Public Works  
Sonoma County Department of Transportation and Public Works  
2300 County Center Drive, Suite B 100  
Santa Rosa, CA 95403

Re: Sonoma County Department of Public Works  
Audit of Indirect Cost Rate Proposal for FY 2006/07 and FY 2007/08  
File No: P1190-0673

Dear Mr. Demery:

We have audited the Sonoma County (County) Department of Public Works' (DPW) Indirect Cost Rate Proposals (ICRP) for the fiscal years ended June 30, 2007 and June 30, 2008 to determine whether the ICRPs are presented in accordance with Office of Management and Budget (OMB) Circular A-87 and the Department of Transportation's (Department's) Local Programs Procedures (LPP) 04-10. The DPW management is responsible for the fair presentation of the ICRPs. The DPW proposed an indirect cost rate of 34.97% of total direct salaries and wages plus fringe benefits for fiscal year 2006/07 and an indirect cost rate of 46.08% of total direct salaries and wages plus fringe benefits for fiscal year 2007/08.

Our audit was conducted in accordance with the Standards for Performance Audits set forth in the *Government Auditing Standards* issued by the Comptroller General of the United States of America. The audit was less in scope than an audit performed for the purpose of expressing an opinion on the financial statements of the DPW. Therefore, we did not audit and are not expressing an opinion on the DPW's financial statements.

The standards require that we plan and perform the audit to obtain reasonable assurance about whether the data and records reviewed are free of material misstatement, as well as material noncompliance with fiscal provisions relative to the ICRPs. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the data and records reviewed. An audit also includes assessing the accounting principles used and significant estimates made by the DPW, as well as evaluating the overall presentation.

The accompanying ICRPs were prepared on a basis of accounting practices prescribed in the

OMB Circular A-87 and the Department's LPP 04-10, and are not intended to present the results of operations of the DPW in conformity with generally accepted accounting principles.

The scope of the audit was limited to select financial and compliance activities. The audit consisted of a recalculation of the ICRPs, a review of the County's single audit report for the fiscal year ended June 30, 2007, inquiries of DPW personnel and reliance placed on the single audit report for the fiscal year ended June 30, 2007. The audit also included tests of individual accounts to the general ledger and supporting documentation to assess allowability, allocability and reasonableness of costs based on a risk assessment and an assessment of the internal control system as related to the ICRPs. We believe that our audit provides a reasonable basis for our conclusion.

Because of inherent limitations in any financial management system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the financial management system to future periods are subject to the risk that the financial management system may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Our findings and recommendations were communicated to the DPW on May 9, 2008 and on August 29, 2008. DPW concurred with the findings and recommendations as detailed below and submitted the revised ICRPs.

## **AUDIT RESULTS**

Based on audit work performed, the DPW's ICRPs for the fiscal year ended June 30, 2007 and June 30, 2008 are presented in accordance with OMB Circular A-87 and LPP 04-10. The approved indirect cost rate is 34.97% of direct salaries and wages plus fringe benefits for fiscal year 2006/07, and 46.08% of the direct salaries and wages plus fringe benefits for fiscal year 2007/08. The indirect cost rate for fiscal year 2006/07 is based on actual costs and therefore the carry-forward provision does not apply. However, the indirect cost rate for fiscal year 2007/08 is based on estimated costs and a carry-forward provision applies. No adjustment will be made to the previously approved rates.

### **Finding1**

During testing, we identified \$508,468.19 in specific projects labor charges that were incorrectly classified as indirect costs. The DPW agreed to reclassify these costs as direct labor costs.

According to OMB Circular A-87, Attachment A, Section F, general indirect costs are those that are incurred for a common or joint purpose benefiting more than one cost objective and are not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved.

### **Recommendation**

The DPW should implement time keeping procedures to ensure the proper classification of labor costs.

**Finding 2**

The DPW included direct project costs and unallowable costs totaling \$32,338.59 in its initial ICRP. The DPW removed these costs from the indirect cost pool per our request.

According to OMB Circular A-87, Attachment A, Section F, general indirect costs are those that are incurred for a common or joint purpose benefiting more than one cost objective and are not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved.

OMB Circular A-87 Attachment B, Section 24, states that the cost of certain influencing activities associated with obtaining grants, contracts, cooperative agreement, or loans is an unallowable cost.

**Recommendation**

The DPW should implement procedures to ensure that project costs are correctly charged and unallowable costs are segregated from the indirect cost pool.

**Finding 3**

The DPW uses two accounting systems, the Financial Cost Accounting System (FAMIS) and the Cost Accounting System (CAS). FAMIS is used for county-wide purposes and payroll is generated by FAMIS. CAS is the DPW's departmental job cost accounting system used to track project costs. The DPW calculates a weighted labor rate for each employee and manually inputs the rates into CAS. However, the DPW's weighted rates were not updated consistently in CAS. As a result, labor variances between CAS and FAMIS were identified that could result in the DPW incorrectly billing for project costs.

Code of Federal Regulations (CFR) 49, Part 18.20, Standards for Internal Control, states that effective control and accountability must be maintained for all grant and subgrant cash, real and personal property and other assets.

**Recommendation**

The DPW should implement procedures to ensure adjustments are made in CAS whenever an employee's pay rate changes in FAMIS to minimize labor cost variances between CAS and FAMIS.

This report is intended solely for the information of the DPW, Department Management, the California Transportation Commission and the Federal Highway Administration (FHWA). However, this report is a matter of public record and its distribution is not limited.

Mr. Phillip Demery  
September 9, 2008  
Page 4

Please retain the approved Indirect Cost Rate Proposal for your files. Copies were sent to the Department's District 4, the Department's Division of Accounting and the FHWA. If you have any questions, please contact Mohammad Eslamian, Auditor, at (916) 323-7865 or Zilan Chen, Audit Supervisor, at (916) 323-7877.



MARYANN CAMPBELL-SMITH  
Chief, External Audits

Attachments

c: Brenda Bryant, FHWA  
Sue Kiser, FHWA  
Gary Buckhammer, Division of Accounting  
Sylvia Fung, Local Assistance, District 4

File copy: P1190-0673

**Sonoma County  
Department of Transportation and Public Works  
Indirect Cost Plan**

The indirect cost rate contained herein is for use on grants, contracts and other agreements with the Federal Government and California Department of Transportation (Caltrans), subject to the conditions in Section II. This plan was prepared by the Sonoma County Transportation and Public Works Department for the Road Division and approved by Caltrans.

**SECTION I: Rates**

<u>Rate Type</u>	<u>Effective Period</u>	<u>Rate*</u>	<u>Applicable To</u>
Final	July 1, 2006 - June 30, 2007	34.97 %	All Programs

\*Base: Total Direct Salaries and Wages plus benefits

**SECTION II: General Provisions**

**A. Limitations:**

The rates in this Agreement are subject to any statutory or administrative limitations and apply to a given grant, contract, or other agreement only to the extent that funds are available. Acceptance of the rates is subject to the following conditions: (1) Only costs incurred by the organization were included in its indirect cost pool as finally accepted: such costs are legal obligations of the organization and are allowable under the governing cost principles; (2) The same costs that have been treated as indirect costs are not claimed as direct costs; (3) Similar types of costs have been accorded consistent accounting treatment; and (4) The information provided by the organization which was used to establish the rates is not later found to be materially incomplete or inaccurate by the Federal Government or Caltrans. In such situations the rate(s) would be subject to renegotiation at the discretion of the Federal Government or Caltrans; (5) Actual costs used in the calculation of the approved rate are contained in the grantee's Single Audit, which was prepared in accordance with OMB Circular A-133.

**B. Accounting Changes:**

This Agreement is based on the accounting system purported by the organization to be in effect during the Agreement period. Changes to the method of accounting for costs, which affect the amount of reimbursement resulting from the use of this Agreement required prior approval of the authorized representative of the cognizant agency. Such changes include, but are not limited to,

changes in the charging of a particular type of cost from indirect to direct. Failure to obtain approval may result in cost disallowances.

**C. Final Rate:**

The final rate used in this Agreement is based on actual costs for the period covered by the rate. As a result, a carry-forward provision does not apply.

**D. Audit Adjustments:**

Immaterial adjustments resulting from the audit of information contained in this plan shall be compensated for in the subsequent indirect cost plan approved after the date of the audit adjustment. Material audit adjustments will require reimbursement from the grantee.

**E. Use by Other Federal Agencies:**

Authority to approve this agreement by Caltrans has been delegated by the Federal Highway Administration, California Division. The purpose of this approval is to permit subject local government to bill indirect costs to Title 23 funded projects administered by the Federal Department of Transportation (DOT). This approval does not apply to any grants, contracts, projects, or programs for which DOT is not the cognizant Federal agency.

The approval will also be used by Caltrans in State-only funded projects.

**F. Other:**

If any Federal contract, grant, or other agreement is reimbursing indirect costs by a means other than the approved rate(s) in this Agreement, the organization should (1) credit such costs to the affected programs, and (2) apply the approved rate(s) to the appropriate base to identify the proper amount of indirect costs allocable to these programs.

**G. Rate Calculation:**

FY 2006-2007 Actual Indirect (including A-87 allocation)	\$ <u>5,589,092</u>
Carry Forward from FY 2004-2005	\$ <u>N/A</u>
FY 2006-2007 Actual Direct Salaries and Wages plus fringe benefits	\$ <u>15,980,380</u>

FY 2006-2007 Indirect Cost Rate	<u>34.97 %</u>
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**CERTIFICATION OF INDIRECT COSTS**

This is to certify that I have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief:

(1) All costs included in this proposal to establish billing or final indirect costs rate for fiscal year 2007 (July 1, 2006 to June 30, 2007) are allowable in accordance with the requirements of the Federal and State award(s) to which they apply and OMB Circular A-87, "Cost Principles for State,

Local, and Indian Tribal Governments." Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.

(2) All costs included in this proposal are properly allocable to Federal and State awards on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated, as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently and the Federal Government and Caltrans will be notified of any accounting changes that would affect the predetermined rate.

I declare that the foregoing is true and correct.

Governmental Unit: Sonoma County – Department of Transportation and Public Works


Signature: 

Reviewed, Approved and Submitted by:

Name of Official: Phillip M. Demery

Title: Director

Date of Execution: 9/10/08  
June 18, 2008

Signature: 

Prepared by:

Name of Official: Dawn Flowers

Title: Accountant II

Phone: 707) 565-2065

### INDIRECT COST RATE APPROVAL

The State DOT has reviewed this indirect cost plan and hereby approves the plan.

  
Signature

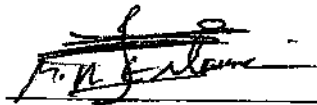
Reviewed and Approved by:

Audit Manager: Mary Ann Campbell Smith

Title: Chief, External Audits

Date: 7-12-08

Phone Number: 916-323-7105

  
Signature

Reviewed and Approved by:

Auditor: Mohammad Eslamian

Title: Auditor

Date: 9/12/08

Phone Number: (916) 323-



**County of Sonoma**  
**Department of Transportation & Public Works**  
**Road Division**  
**Indirect Cost Rate Proposal Summary**  
**Direct Cost Base: Salaries & Benefits**

Subobject	Description	FY 03-04 Actual	FY 04-05 Actual	FY 05-06 Actual	FY 06-07 Actual
5100	Permanent Position	10,432,931	10,328,883	10,356,324	10,542,896
5110	Extra Help	58,560	177,791	580,394	762,406
5120	Overtime	157,178	194,620	747,214	648,264
5121	Overtime FLSA	2,185	790	1,224	1,229
5140	Premium Pay	19,189	17,897	19,503	19,585
5150	Vacation Pay	41,139	82,396	73,607	70,988
5160	Shift Differential	1,234	4,281	5,539	7,650
5170	Standby Pay	21,101	21,705	23,547	24,846
5190	Agency/Extra Help	<u>4,145</u>	<u>18,611</u>	<u>18,271</u>	<u>19,857</u>
	Salaries Subtotal:	10,737,662	10,846,974	11,825,623	12,097,722
5210	County Retirement	1,807,793	2,021,787	2,248,158	2,450,088
5211	Unclaimable County Retire		0	0	147,331
5220	FICA Retirement	781,957	778,450	814,999	814,563
5240	PST Deferred Comp	1,485	4,926	15,921	24,940
5300	Health Insurance	1,441,891	1,504,194	1,719,463	1,909,333
5301	Extra Help Health Insurance	0	121	386	3,274
5310	Disability Insurance	161,732	157,320	155,058	119,916
5320	Dental Insurance	203,936	175,206	163,391	154,520
5330	Life Insurance	9,403	9,277	9,250	9,253
5340	Vision Insurance	39,470	34,482	33,081	32,537
5350	Unemployment Insurance	4,113	10,473	18,866	24,577
5400	Workers' Compensation	928,726	1,215,945	1,481,172	1,018,549
5500	Other Benefits	<u>3,090</u>	2,838	2,922	2,923
5501	Payroll Clearing	<u>3,090</u>	0	<u>245</u>	0
	Benefits Subtotal:	5,386,686	5,915,019	6,662,911	6,711,802
5900	Salary Savings	0	0	0	0
5901	Final Budget Adjustment	0	0	0	0
5903	Proposed Budget Adjustmer	0	0	0	0
5906	MTO Savings	0	0	0	0
5907	Additional Benefit	0	0	0	0
<b>Total Salaries &amp; Benefits:</b>		<b>\$16,124,348</b>	<b>\$16,761,993</b>	<b>\$18,488,534</b>	<b>\$18,809,524</b>
Less Unallocated/Indirect Admin:		951,720	1,002,867	907,217	991,452
Less Unallocated/Indirect Engineering:		1,902,533	2,180,270	1,510,203	1,659,034
Less Unallowable:			0	0	0
Less Indirect Labor Variance:		186,096	0	217,173	178,658
<b>Total Direct Salaries &amp; Benefits:</b>		<b>\$13,083,999</b>	<b>\$13,578,856</b>	<b>\$15,853,941</b>	<b>\$15,980,380</b>
Total Actual/Estimated A-87 Indirect Costs:		796,419	966,107	915,850	962,288
Total Indirect Services & Supplies:		1,642,401	1,909,878	1,847,340	1,819,820
Unallocated/Indirect Admin & Eng:		2,854,253	3,183,137	2,417,420	2,650,486
Less Unallowable:		0	0	0	22,160
2002-2003 Carryforward		0	744,012	0	0
Indirect Labor Variance:		186,096	0	217,173	178,658
<b>Total Indirect Costs:</b>		<b>\$5,479,169</b>	<b>\$6,803,134</b>	<b>\$5,397,783</b>	<b>\$5,589,092</b>
Indirect Cost Rates:		<b>41.88%</b>	<b>50.10%</b>	<b>34.05%</b>	<b>34.97%</b>
		(Approved)	(Approved)	(Proposed)	(Proposed)

County of Sonoma  
Department of Transportation & Public Works  
Road Division  
Indirect Cost Rate Proposal  
FY 06-07 Final Expenditures

06/09/2008

	Direct Costs	Indirect Costs	Unallowable Costs	Total Actuals	Percent of Labor
Salaries	10,393,009	1,704,713	0	12,097,722	64.317%
Fringe Benefits	5,786,029	923,813	22,160	6,711,802	35.683%
Labor Variance	(178,658)	178,658	0	0	
<b>Labor Cost Subtotals</b>	<b>\$15,880,380</b>	<b>2,808,964</b>	<b>22,160</b>	<b>18,809,524</b>	
<b>All Other Costs</b>					
6020 CLOTHING/PERSONAL	1,395	38,152		39,547	
6040 COMMUNICATIONS		88,127		88,127	
6042 PAGING SERVICES		3,064		3,064	
6048 CELL PHONE SERVICE		42,431		42,431	
6049 UNCLAIMABLE COMMUN		0		0	
6085 JANITORIAL SERVICE		3,985		3,985	
6100 INSURANCE		0		0	
6103 LIABILITY INSURANC		469,099		469,099	
6110 REIMB OF EMP DAMAG		0		0	
6140 MAINTENANCE-EQUIPM	63,592	69,487		133,059	
6174 CAL TRANS SIGNAL C	83,005	0		83,005	
6180 MAINT-BLDGS/IMP	5,748	6,856		12,614	
6244 MAINT-ROAD SIGNALS	335,811	44		335,855	
6252 LABORATORY SUPPLIE	16,584	(8,826)		7,755	
6280 MEMBERSHIPS	0	7,280		7,280	
6300 MISC. OFFICE EXPENSE	72	7,198		7,268	
6400 OFFICE EXPENSE	537	67,808		68,345	
6405 PHOTOCOPY SUPP/EXP	0	0		0	
6410 POSTAGE	0	3,760		3,760	
6415 BOOKS/PERIODICALS	0	3,492		3,492	
6430 PRINTING SERVICES	0	15,780		15,780	
6452 PAPER STOCK	0	0		0	
6500 PROFESSIONAL/SPECI	417,343	12,239		429,582	
6510 MICROFILM SERVICES	0	13,053		13,053	
6540 CONTRACT SERVICES	628,250	5,037		633,286	
6547 CONTRACT EXAMINATION	0	883		883	
6554 CONTRACT-SCH CROSS	0	0	26,531	26,531	
6570 CONSULTANT SERVICE	228,558	74,694	22,985	326,237	
6589 PERMITS	14,230	11,921		26,151	
6590 ENG SVCS (PRMD)	236,518	1,479		237,997	
6610 LEGAL SERVICES	7,104	84,393		91,497	
6629 FISCAL ACCOUNTING	0	233,674		233,674	
6800 PUBLIC/LEGAL NOTIC	681	1,540		2,220	
6820 RENTS/LEASES-EQUIP	534,120	67,261		601,381	
6855 RENTS/LEASES-HEAVY	2,400,126	0		2,400,126	
6880 SMALL TOOLS/INSTRU	8,858	73,951		80,809	
6889 SOFTWARE	0	9,183		9,183	
6890 COMPUTER HARDWARE	0	11,845		11,845	
7000 SPECIAL DEPT-RSI	469,717	55,180		524,898	
7024 HAZARDOUS WASTE	263	9,200		9,463	
7100 PERSONNEL COSTS	9,513,210	12,729		9,525,939	
7110 PROF DEV-ADMIN MAN	0	7,786		7,786	
7111 PROF DEV-CONFIDENT	0	734		734	
7112 PROF DEV-WCE	0	4,619		4,619	
7120 TRAINING-IN-SERVIC	0	19,224		19,224	
7130 TUITION/TEXTBOOK-N	0	8,059		8,059	
7200 ROAD MATERIALS	2,776,785	8,543		2,785,328	
7201 GAS/OIL	2,511	1,419		3,930	
7301 COUNTY CAR EXPENSE	65,937	102,721		168,658	
7302 TRAVEL EXPENSE	0	3,255		3,255	
7303 PRIVATE CAR EXPENSE	0	7,773		7,773	
7309 UNCLAIMABLE COUNTY	0	0	15,530	15,530	
7320 UTILITIES	73,567	62,113		135,679	
7400 DATA PROCESSING	0	75,075		75,075	
7913 LEASE/PUR-BUDGET O	0	44,511		44,511	
7920 INTERST	0	5		5	
7960 RIGHTS OF WAY	1,395	0		1,395	
8010 CONTRIB NON-CD GOV	126,188	0		126,188	
8510 BUILDINGS/IMPROVEM	16,007	0		16,007	
8561 OFFICE EQUIPMENT	0	0		0	
8571 FIELD EQUIPMENT	0	0		0	
8620 UNCLM-OT-WITHIN A FUNO	0	0	2,231,750	2,231,750	
8640 UNCLM-OT-BETWEEN ENT	0	0	200,000	200,000	
8700 REIMBURSEMENTS	(12,674,412)	0		(12,674,412)	
<b>Subtotal:</b>	<b>5,351,698</b>	<b>1,819,820</b>	<b>2,498,796</b>	<b>9,669,313</b>	
<b>Total Costs</b>	<b>21,332,078</b>	<b>4,628,804</b>	<b>2,518,956</b>	<b>28,477,838</b>	
<b>FY 06-07 County Wide A-67 Cost Allocation</b>					
		962,286			
<b>Total Actual Indirect Costs</b>		<b>5,589,092</b>			
<b>FY 04-05 Carryforward(N/A)</b>					
		0			
<b>Total Road Division Indirect Costs</b>		<b>\$5,589,092</b>			
<b>FY 06-07 Proposed Indirect Cost Rate</b>		<b>35.87%</b>			

**Sonoma County  
Department of Transportation and Public Works  
Indirect Cost Plan**

The indirect cost rate contained herein is for use on grants, contracts and other agreements with the Federal Government and California Department of Transportation (Caltrans), subject to the conditions in Section II. This plan was prepared by the Sonoma County Transportation and Public Works Department for the Road Division and approved by Caltrans.

**SECTION I: Rates**

<u>Rate Type</u>	<u>Effective Period</u>	<u>Rate*</u>	<u>Applicable To</u>
Fixed with carry forward	July 1, 2007- June 30, 2008	46.08 %	All Programs

\*Base: Total Direct Salaries and Wages plus benefits

**SECTION II: General Provisions**

**A. Limitations:**

The rates in this Agreement are subject to any statutory or administrative limitations and apply to a given grant, contract, or other agreement only to the extent that funds are available. Acceptance of the rates is subject to the following conditions: (1) Only costs incurred by the organization were included in its indirect cost pool as finally accepted: such costs are legal obligations of the organization and are allowable under the governing cost principles; (2) The same costs that have been treated as indirect costs are not claimed as direct costs; (3) Similar types of costs have been accorded consistent accounting treatment; and (4) The information provided by the organization which was used to establish the rates is not later found to be materially incomplete or inaccurate by the Federal Government or Caltrans. In such situations the rate(s) would be subject to renegotiation at the discretion of the Federal Government or Caltrans; (5) Prior actual costs used in the calculation of the approved rate are contained in the grantee's Single Audit, which was prepared in accordance with OMB Circular A-133. If a Single Audit is not required to be performed, then audited financial statements should be used to support the prior actual costs; and (6) The estimated costs used in the calculation of the approved rate are from the grantee's actual costs from July 1, 2007 to March 31, 2008.

**B. Accounting Changes:**

This Agreement is based on the accounting system purported by the organization to be in effect during the Agreement period. Changes to the method of accounting for costs, which affect the amount of reimbursement resulting from the use of this Agreement required prior approval of the authorized representative of the cognizant agency. Such changes include, but are not limited to, changes in the charging of a particular type of cost from indirect to direct. Failure to obtain approval may result in cost disallowances.

**C. Fixed Rate with Carry Forward:**

The fixed rate used in this Agreement is based on an estimate of the costs for the period covered by the rate. When the actual costs for this period are determined-either by the grantee's Single Audit or if a Single Audit is not required, then by the grantee's audited financial statements any differences between the application of the fixed rate and actual costs will result in an over or under recovery of costs. The over or under recovery will be carried forward, as an adjustment to the calculation of the indirect cost rate, to the second fiscal year subsequent to the fiscal year covered by this plan.

**D. Audit Adjustments:**

Immaterial adjustments resulting from the audit of information contained in this plan shall be compensated for in the subsequent indirect cost plan approved after the date of the audit adjustment. Material audit adjustments will require reimbursement from the grantee.

**E. Use by Other Federal Agencies:**

Authority to approve this agreement by Caltrans has been delegated by the Federal Highway Administration, California Division. The purpose of this approval is to permit subject local government to bill indirect costs to Title 23 funded projects administered by the Federal Department of Transportation (DOT). This approval does not apply to any grants, contracts, projects, or programs for which DOT is not the cognizant Federal agency.

The approval will also be used by Caltrans in State-only funded projects.

**F. Other:**

If any Federal contract, grant, or other agreement is reimbursing indirect costs by a means other than the approved rate(s) in this Agreement, the organization should (1) credit such costs to the affected programs, and (2) apply the approved rate(s) to the appropriate base to identify the proper amount of indirect costs allocable to these programs.

**G. Rate Calculation:**

FY 2007-2008 Estimated Indirect (including A-87 allocation)	\$ <u>5,502,411</u>
Carry Forward from FY 2005-2006	\$ <u>(599,468)</u>
FY 2007-2008 Estimated Direct Salaries and Wages plus fringe benefits	\$ <u>10,640,520</u>
 FY 2007-2008 Indirect Cost Rate	 <u>46.08 %</u>

**CERTIFICATION OF INDIRECT COSTS**

This is to certify that I have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief:

(1) All costs included in this proposal to establish billing or final indirect costs rate for fiscal year 2008 (July 1, 2007 to June 30, 2008) are allowable in accordance with the requirements of the Federal and State award(s) to which they apply and OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments." Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.

(2) All costs included in this proposal are properly allocable to Federal and State awards on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated, as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently and the Federal Government and Caltrans will be notified of any accounting changes that would affect the predetermined rate.

I declare that the foregoing is true and correct.

Governmental Unit: Sonoma County – Department of Transportation and Public Works

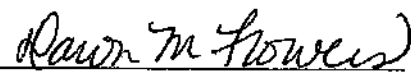
Signature: 

Reviewed, Approved and Submitted by:

Name of Official: Phillip M. Demery

Title: Director

Date of Execution: 9/10/08

Signature: 

Prepared by:


Name of Official: Dawn Flowers

Title: Accountant II

Phone: 707) 565-2065

### INDIRECT COST RATE APPROVAL

The State DOT has reviewed this indirect cost plan and hereby approves the plan.

Signature: 

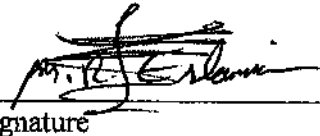
Reviewed and Approved by:

Audit Manager: May Ann Campbell

Title: Chief, External Affairs

Date: 9-12-08

Phone Number: 916-323-7105

Signature: 

Reviewed and Approved by:

Auditor: Mohammed Eslamian

Title: Auditor

Date: 9/12/08

Phone Number: (916) 323-7865

County of Sonoma  
Department of Transportation & Public Works  
Road Division  
Indirect Cost Rate Proposal  
FY 07-08 Estimated Expenditures

06/08/2006

	Direct Costs	Indirect Costs	Unallowable Costs	Total Estimated	Percent of Labor	
Salaries	8,928,240	1,448,823	0	8,376,170	85.121%	2,226,496 Total U CCTR Labor
Fringe Benefits	3,711,273	782,268	14,304	4,487,846	34.879%	15,298,933 Total CCTR Labor
Labor Variance	0	0	0	0		
<b>Labor Cost Subtotal:</b>	<b>\$10,639,513</b>	<b>2,231,092</b>	<b>14,304</b>	<b>12,864,305</b>		
All Other Costs						
6020 CLOTHING/PERSONAL	5,546	34,255		39,801		
6040 COMMUNICATIONS		80,884		60,884		
6042 PAGING SERVICES		2,267		2,267		
6048 CELL PHONE SERVICE		23,914		23,914		
6049 UNCLAIMABLE COMMUN			0	0		
6080 FOOD		85		85		
6085 JANITORIAL SERVICE		2,839		2,839		
6100 INSURANCE		0		0		
6103 LIABILITY INSURANC		1,240,513		1,240,513		
6110 REIMB OF EMP DAMAG		117		117		
6140 MAINTENANCE-EQUIPM	50,876	55,642		106,517		
6174 CAL TRANS SIGNAL C	38,874			36,874		
6180 MAINT-BLDGS/IMP	800	6,705		7,505		
6244 MAINT-ROAD SIGNALS	67,955			67,955		
6252 LABORATORY SUPPLIE	3,432	4,826		8,057		
6280 MEMBERSHIPS		5,874		5,874		
6300 MISC. OFFICE EXPENSE	4,794	11,387		16,181		
6400 OFFICE EXPENSE	2,380	47,622		50,002		
6405 PHOTOCOPY SUPP/EXP		0		0		
6410 POSTAGE		1,566		1,566		
6415 BOOKS/PERIODICALS		4,383		4,383		
6430 PRINTING SERVICES		12,262		12,262		
6452 PAPER STOCK		0		0		
6500 PROFESSIONAL/SPECI	223,751	44,777		268,528		
6510 MICROFILM SERVICES		4,725		4,725		
6540 CONTRACT SERVICES	142,504	22,737		165,241		
6547 CONTRACT EXAMINATION		0		0		
6554 CONTRACT-SCH CROSS		0	0	0		
6570 CONSULTANT SERVICE	64,850	13,565	17,861	96,275		
6573 ADMINISTRATION		436		436		
6586 PERMITS	9,374	680		10,054		
6590 ENG SVCS (PRMD)	78,985	55,086		133,981		
6610 LEGAL SERVICES	1,528	48,570		50,097		
6629 FISCAL ACCOUNTING		178,572		178,572		
6800 PUBLIC/LEGAL NOTIC	360	9,786		10,146		
6820 RENTS/LEASES-EQUIP	285,067	23,439		308,506		
6855 RENTS/LEASES-HEAVY	1,587,557			1,587,557		
6880 SMALL TOOLS/INSTRU	7,885	53,946		61,831		
6886 SOFTWARE	108	4,512		4,620		
6890 COMPUTER HARDWARE	5,846	5,532		11,377		
7000 SPECIAL DEPT-RSI	389,154	129,497		518,651		
7024 HAZARDOUS WASTE		9,052		9,052		
7100 PERSONNEL COSTS	6,287,716			6,287,716		
7110 PROF DEV-ADMIN MAN		3,876		3,876		
7111 PROF DEV-CONFIDENT		303		303		
7112 PROF DEV-WCE		1,514		1,514		
7120 TRAINING-IN-SERVIC		16,421		16,421		
7130 TUITION/TEXTBOOK-N		5,972		5,972		
7200 ROAD MATERIALS	1,432,887	28,448		1,461,335		
7201 BASICIL	347	6,376		6,723		
7301 COUNTY CAR EXPENSE	38,101	62,364		98,455		
7302 TRAVEL EXPENSE	1,608	8,950		10,558		
7303 PRIVATE CAR EXPENSE		5,974		5,974		
7309 UNCLAIMABLE COUNTY			15,433	15,433		
7320 UTILITIES	42,974	46,056		89,030		
7400 DATA PROCESSING		48,418		48,418		
7913 LEASE/PUR-BUDGET O		40,877		40,877		
7920 INTERST		3,634		3,634		
7960 RIGHTS OF WAY	600			600		
8010 CONTRIB NON-CO GOV	125,837			125,837		
8500 LAND	330,251			330,251		
8510 BUILDINGS/IMPROVEM	1,164,411			1,164,411		
8516 IN-HOUSE ENGINEERING	1,254,076			1,254,076		
8517 PEICE CONSULTANT	277,278			277,278		
8522 PRMD	87,412			87,412		
8526 IN-HOUSE RIGHT OF WAY	158,279			158,279		
8581 OFFICE EQUIPMENT		0		0		
8571 FIELD EQUIPMENT	6,258			6,258		
8572 LAB EQUIPMENT	13,820			13,820		
8620 UNCLM-OT-WITHIN A FUND		0		0		
8640 UNCLM-OT-BETWEEN ENT		0		0		
8700 REIMBURSEMENTS	(8,075,129)			(8,075,129)		
<b>Subtotal:</b>	<b>8,134,157</b>	<b>2,399,345</b>	<b>33,294</b>	<b>8,566,796</b>		21,433,811
<b>Total Costs</b>	<b>18,774,676</b>	<b>4,630,437</b>	<b>47,598</b>	<b>21,433,811</b>		<b>25,960,675</b>
FY 07-08 County Wide A-87 Cost Allocation		890,874				
<b>Total Estimated Indirect Costs</b>		<b>5,521,311</b>				
FY 05-06 Carryforward		(599,468)				FY 05-06 approved based on Budget
<b>Total Road Division Indirect Costs</b>		<b>\$4,921,842</b>				
<b>FY 07-08 Proposed Indirect Cost Rate</b>		<b>39.08%</b>				

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To calculate the carryforward from a rate based on budget:  
Take total direct salaries and benefits multiplied by the approved rate, this is the amount recovered  
Subtract the above amount from the actual indirect costs, this is the amount unrecovered

15,877,819 Actual Direct S&B 05-06  
37.62% Approved on Budget 05-06  
5,973,273 Recovered  
\$5,373,805 Actual 05-06 Indirect Cos  
(\$599,468.21) Carry-forward

**County of Sonoma**  
**Department of Transportation & Public Works**  
**Road Division**  
**Indirect Cost Rate Proposal Summary**  
**Direct Cost Base: Salaries & Benefits**

Subobject	Description	FY 04-05 Actual	FY 05-06 Actual	FY 06-07 Actual	FY 07-08 Estimated
5100	Permanent Position	10,328,883	10,356,324	10,542,896	7,325,332
5110	Extra Help	177,791	580,394	762,406	636,859
5120	Overtime	194,620	747,214	648,264	314,212
5121	Overtime FLSA	790	1,224	1,229	567
5140	Premium Pay	17,897	19,503	19,585	8,421
5150	Vacation Pay	82,396	73,607	70,988	51,973
5160	Shift Differential	4,281	5,539	7,650	7,287
5170	Standby Pay	21,705	23,547	24,846	19,536
5190	Agency/Extra Help	<u>18,611</u>	<u>18,271</u>	<u>19,867</u>	<u>14,982</u>
	Salaries Subtotal:	10,846,974	11,825,623	12,097,722	8,379,170
5210	County Retirement	2,021,787	2,248,158	2,450,086	1,804,962
5211	Unclaimable County Retire	0	0	147,331	98,102
5220	FICA Retirement	778,450	814,999	814,563	559,063
5240	PST Deferred Comp	4,926	15,921	24,940	21,650
5300	Health Insurance	1,504,194	1,719,463	1,909,333	1,301,767
5301	Extra Help Health Insurance	121	386	3,274	4,512
5310	Disability Insurance	157,320	155,058	119,916	83,331
5320	Dental Insurance	175,206	163,391	154,520	104,100
5330	Life Insurance	9,277	9,250	9,253	6,223
5340	Vision Insurance	34,482	33,081	32,537	21,653
5350	Unemployment Insurance	10,473	18,866	24,577	15,958
5400	Workers' Compensation	1,215,945	1,481,172	1,018,549	464,492
5500	Other Benefits	2,838	2,922	2,923	2,033
5501	Payroll Clearing	<u>0</u>	<u>246</u>	<u>0</u>	<u>0</u>
	Benefits Subtotal:	5,915,019	6,662,911	6,711,802	4,487,846
5900	Salary Savings	0	0	0	0
5901	Final Budget Adjustment	0	0	0	0
5903	Proposed Budget Adjustmer	0	0	0	0
5906	MTO Savings	0	0	0	0
5907	Additional Benefit	0	0	0	0
<b>Total Salaries &amp; Benefits:</b>		<b>\$16,761,993</b>	<b>\$18,488,534</b>	<b>\$18,809,524</b>	<b>\$12,867,016</b>
Less Unallocated/Indirect Admin:		1,002,867	907,217	991,452	734,135
Less Unallocated/Indirect Engineering:		2,180,270	1,510,203	1,659,034	1,492,361
Less Unallowable:		0	0	0	0
Less Indirect Labor Variance:		0	193,195	178,658	0
<b>Total Direct Salaries &amp; Benefits:</b>		<b>\$13,578,856</b>	<b>\$15,877,919</b>	<b>\$15,980,380</b>	<b>\$10,640,520</b>
Total Actual/Estimated A-87 Indirect Costs:		966,107	916,850	962,288	890,874
Total Indirect Services & Supplies:		1,909,878	1,847,340	1,819,820	2,399,345
Unallocated/Indirect Admin & Eng:		3,183,137	2,417,420	2,650,486	2,226,496
2002-2003 Carryforward		744,012	0	0	(599,468)
Less Unallowable:		0	0	(22,180)	(14,304)
Indirect Labor Variance:		0	193,195	178,658	0
<b>Total Indirect Costs:</b>		<b>\$6,803,134</b>	<b>\$5,373,805</b>	<b>\$5,589,092</b>	<b>\$4,902,943</b>
<b>Indirect Cost Rates:</b>		<b>50.10%</b>	<b>33.84%</b>	<b>34.97%</b>	<b>46.08%</b>
		<b>(Approved)</b>	<b>(Proposed)</b>	<b>(Proposed)</b>	<b>(Proposed)</b>
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